

14900 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

With respect to the manufacture of our Schedule II product, Biphedamine, we must receive a quota allocation from the DEA, annually. That quota establishes the amount of amphetamine base (our raw material) which will be available to us for the relevant calendar year. In this process, Pennwalt:

1. Must have submitted before the close of each year a formal quota application for the forthcoming year, setting forth our raw material utilization for the preceding three years.
2. Upon receipt from the DEA, early in the new year, of a quota allocation--which generally does not afford a full calendar year of supply--we operate thereunder.
3. Several months later, as our inventory diminishes, we must make a further formal request for an additional quota allocation.
4. That request must contain:
 - (1) A statement of current total plant inventory.
 - (2) Projected utilization to year-end at our current usage rate.
 - (3) A resultant computation of the additional allocation we require.
 - (4) Such other information as is appropriate to aid the DEA in its evaluation, including, for example, the following:
 - a. Comparisons of our distribution, stated in terms of kilos.
 - b. International Marketing Service (IMS) audits of drug store purchases and prescription utilization.
 - c. Wholesale distribution inventory level analysis.